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Written Testimony of Christopher Phelps, Program Director
Before the Connecticut General Assembly Environment Committee

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Written testimony opposing SB 794, An Act Concerning The Regional Greenhouse Gas Initiative And Electric Ratepayer Relief

Senator Meyer, Representative Roy, and members of the Committee:

Environment Connecticut submits this testimony opposing Raised Senate Bill 794. This bill undercuts the effectiveness of the Regional Greenhouse Gas Initiative (RGGI) cap-and-trade program for reducing power plant emissions of global warming pollution. It does so by inappropriately authorizing the Commissioner of Environmental Protection to divert some or all of the revenue from the auction of pollution allowances under RGGI for the purpose of providing "ratepayer relief" rebates.

Section 22a-200c of the General Statutes currently requires to commissioner to "*auction all emissions allowances and invest the proceeds on behalf of electric ratepayers in energy efficiency, load management and Class I renewable energy programs.*" Environment Connecticut strongly supported enactment in PA 07-242 of this statutory requirement that RGGI auction revenue be invested in energy efficiency and clean energy. We did so because the overwhelming body of evidence demonstrates that investing cap and trade auction in energy efficiency and clean energy is the most effective way of reducing consumer costs from a cap-and-trade program while also reducing emissions of global warming pollution and achieving compliance with the program.

For additional information regarding the implementation of global warming cap and trade programs and the case for investing auction proceeds in energy efficiency and clean energy, I refer the committee to the following 2007 report from Environment Connecticut and Environment America:

Cleaner, Cheaper Smarter: The Case for Auctioning Pollution Allowances in a Global Warming Cap and Trade Program. <http://www.environmentamerica.org/reports/global-warming>

In the summer of 2008, Environment Connecticut strenuously opposed an eleventh hour directive from Governor Rell requiring the Department of Environmental Protection to revise Connecticut's final proposed regulations implementing the Regional Greenhouse

Gas Initiative. These revisions proposed by the Governor require that all revenue from the auction of RGGI allowances in excess of \$5 per ton be allocated to consumer rebates. As Environment Connecticut pointed out at the time, such rebates would provide individual consumers a negligible rebate while diverting money from energy efficiency and clean energy investments that would actually provide *a greater financial benefit to consumers than would come from direct rebates alone*. Efficiency and clean energy investments, by their very nature, serve to enable Connecticut to achieve the global warming pollution reduction requirements of the RGGI cap and trade program in a manner that gives both consumers and the environment the most “bang for the buck.”

Section 22a-200c (a) of the General Statutes requires the Commissioner of the Department of Environmental Protection to adopt regulations implementing the Regional Greenhouse Gas Initiative. Subsection (b) of that statute requires the Commissioner of the Department of Environmental Protection to auction all emissions allowances and “invest the proceeds on behalf of electric ratepayers in energy conservation, load management and Class I renewable energy programs.” Subsection (c) establishes specific, narrow exceptions to this explicit requirement that all auction revenue be invested in energy efficiency and clean energy programs, to allow the commissioner of DEP to allocate up to 7.5% of the auction revenue for administration of the RGGI program as well as assessment and planning for addressing climate change impacts. It also allows the commissioner to set aside a portion of the emissions allowances to support combined heat and power as well as voluntary renewable provisions of the RGGI model rule.

22a-200c clearly does not authorize the commissioner to allocate any portion of the revenue from auction of RGGI allowances for “ratepayer relief” or consumer rebates. This was confirmed by a July 2008 determination from the Attorney General that Governor Rell’s proposed change to the regulations was not consistent with the statute.

Unfortunately, the final adopted RGGI regulation retained the Governor’s proposed rebate allocating all revenue from the auction of allowances in excess of \$5 per ton to rebates. However, to date, the RGGI auction price has been approximately \$3 per ton and has not triggered this provision of the regulation.

At \$3 per ton, the RGGI auction will produce approximately \$30 million annually for investment in energy efficiency and clean energy programs. SB 794 would allow the commissioner to divert some or all of this revenue to “ratepayer relief” rebates. Even if the commissioner diverted *all* of the RGGI revenue to this purpose, it would reduce the average homeowner’s electric bill by less than one dollar a month. This miniscule “relief” would sacrifice the potential for significantly greater, and longer lasting, ratepayer benefits that would be gained by investing that same \$30 million in energy efficiency programs and the creation of new clean renewable energy generation such as wind and solar power.

SB 794 would provide less than a dollar per month in "electric ratepayer relief." In 2008, Connecticut Energy Efficiency Fund programs averaged a return to ratepayers of \$4 for every \$1 invested in efficiency measures. Rejecting SB 794 and retaining the existing statutory requirement that all RGGI auction revenue be directed to energy efficiency and clean energy would provide consumers the largest dollar-for-dollar return on that investment in the form of reduced energy bills.

Further, by proposing to create authority for the DEP commissioner to allocate some or all of the revenue from the RGGI auction to consumer rebates, SB 794 implicitly confirms that the commissioner does not currently have the statutory authority to divert any auction revenue to such rebates. However, we note that this conflicts with the RGGI regulations adopted in 2008.

In order to provide absolute certainty that the statutes do not allow the commissioner to allocate any portion of the RGGI auction revenue for consumer rebates, and to ensure that all such revenue is allocated to energy efficiency and clean energy programs that benefit consumers *and* reduce emissions, Environment Connecticut urges the committee to reject SB 794 as drafted and instead, amend it as follows:

1. Retain the new insertion of the word "shall" in line 8, but delete the creation of the subdivision "(1)."
2. Strike the new language in lines 10 and 11.
3. In line 30, strike the words "may also" and insert "shall not" in their place.

The purpose of these changes is to prohibit the Commissioner of the Department of Environmental from using any portion of the RGGI auction revenue beyond that portion reserved for administrative purposes for any purpose other than investment in programs funded by the Conservation & Load Management Fund and Clean Energy Fund. This prohibition would be entirely consistent with the provisions of Section 22a-200c of the General Statutes as enacted in PA 07-242.

Sincerely,

Christopher Phelps
Program Director
Environment Connecticut

